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ABSTRACT

As industry developed during the late 1800s, factories increased in size, and a gap developed between owners and employees. This teaching unit, one in a series of eight, examines the situation of one company in which an innovative business leader sensed the need to bridge the gap between owners and employees. One method of accomplishing this was to implement a profit sharing plan. Role playing is utilized and materials from the Procter and Gamble Archives are used. The unit includes an overview, objectives, vocabulary lessons, student handouts, class activities, and ways to use economic concepts to understand historical developments. (SM)

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COPING WITH GROWTH: INDUSTRY IN THE LATE 1800'S. . . THE HUMAN FACTOR. PERSPECTIVES.

Procter & Gamble Educational Services
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Cincinnati, OH 45250

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COPING WITH GROWTH

Industry in the Late 1800's . . . The Human Factor

Business and industry grew dramatically in the late 1800's, bringing many changes to American life. Manufactured goods became varied, more plentiful, less expensive and within the reach of most consumers. The U.S. was to emerge at the close of the century as the world's leading manufacturing nation.

This tremendous progress required more workers and bigger plants. Cottage industries, which had been largely family owned and operated, began to expand their production capacity and reach out to more and more consumers. Such growth, previously unexperienced, generated problems, as well as opportunities, as a gap developed between owners and employees.

This unit examines the situation of one company in which an innovative business leader sensed the need to bridge this owner-worker gap. He, and others like him, were problem-solvers who tried to make the Industrial Revolution work for all.

This unit can be completed in two to three class periods in U.S. History, Economics or Sociology classes. The unit is most appropriate for Senior High school classes and can be adapted for all ability levels.

This unit, one in a series (see back cover), relies heavily on material from the Procter & Gamble archives. The experiences of one company can serve as a starting point for students to discover similar situations in other companies, especially in their local communities.

Overview

(Recapped here is a brief summary of the industrial growth of the country in the late 1800's and the resulting management/labor conflicts that arose. Most history textbooks and other library sources recount how this turmoil led to the rise of unions. This Overview highlights other, but less frequently discussed, efforts by farsighted business leaders who also sought to bridge the growing gap between workers and employees; it provides background for the activities in the "Suggested Teaching Procedure."

Read the Overview and review all inserts before attempting activities. You will find these few minutes well spent.)

Industry's Growth

In many ways, the 1880's and 1890's were two of the most dramatic decades in our country's history.

Imagine this setting. The Civil War is over. The country has been severely damaged, and the struggle now is to rebuild. Yet, it is clear that people cannot go back to life as it was because too much has changed. Homes are destroyed. Many families are torn apart. Jobs are gone. And people feel new currents pulling them in new directions, toward a new kind of life.

One of the developments that was changing life for every American at this time was the remarkable growth of manufacturing. There were several reason for this. One was the invention of better methods which made low-cost mass production possible. This meant it cost less to produce each product. This, coupled with competition, resulted in cheaper prices that brought most products within everyone's reach. Another development was the amazing growth of the railroads which cut the cost of transportation and made it profitable to bring in raw materials and ship products to every corner of the land. Still another development was the arrival of thousands of immigrants, mainly from Europe, who found work in the factories and expanded the market for the products they helped to produce.

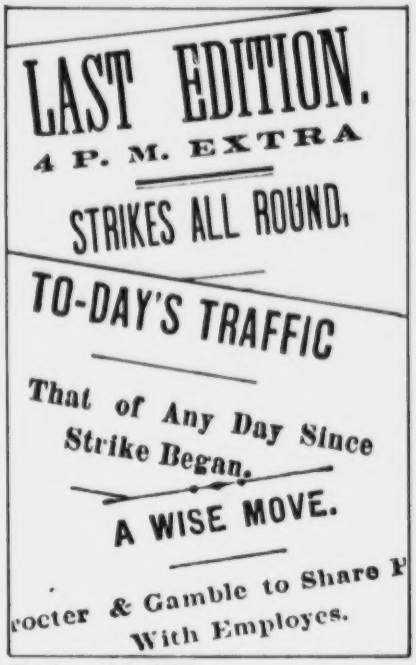
It was a lively, exciting time, marked by one change after another.

And the changes were historic. For example, since the founding of the nation, most of our people had been farmers. Now, many found wages to be higher in the rapidly expanding factories than on the farm. As a result they left the farm to work in the factories, helping America to become one of the leading manufacturing nations of the world. In the process, problems arose that industry had never dealt with before.

As the vigorous new manufacturing enterprises prospered, factories grew to unprecedented size; instead of a few workers, there were dozens, even hundreds. Then, to serve distant markets, manufacturers built plants in other locations.

Resulting Conflicts

One result of this tremendous growth was that the relationship between owner and worker changed radically. In earlier times, when everything was on a smaller scale, owner and worker had toiled side by side. They thoroughly understood each other, not only at work, but on a personal level. Now this closeness was ending. The individual worker was losing touch with the man at the top, and the owner was so far removed that he couldn't know what was going on in the factory. Gone, or at least in danger of disappearing, was the feeling that owner and worker were both working toward the same


LAST EDITION.
4 P. M. EXTRA
STRIKES ALL ROUND.
TO-DAY'S TRAFFIC
That of Any Day Since Strike Began.
A WISE MOVE.
rocter & Gamble to Share P
With Employes.

Headlines of the 1880's

P&G Factory Workers in the 1920's

PROCTER & GAMBLE.

Agreement to Share Profits with Their Employes.

Their Volunteered and Equitable Plan Accepted with Enthusiasm.

A Document of Great Interest to Both Capital and Labor.

On the 12th of April the firm of Procter & Gamble, of this city, addressed the following circular to Mr. Munro, book-keeper at the store 22 West Second street; Mr. McGowan, book-keeper at the Central avenue factory, and to Mr. Paddock, in charge of the works at Ivorydale:

"GENTLEMEN—We have for some time had under consideration the subject of investing our employes or certain of them, with an interest in the declared profits of our business and have at length matured the plan, which is set forth herein. You will observe that it involves the appointment of agents or trustees to make the distribution contemplated, and we have selected yourselves to act in that capacity and now respectfully request you to do so. The nature of the duties that will devolve upon you in that connection is set forth below:

"1. You shall ascertain semi-annually, on the fourth days of April and October of each year, the net profits of the preceding six months, beginning

Cincinnati Enquirer 1887

goals. Instead, as they moved apart, differences inevitably arose.

Solutions

This state of events led to two developments that would change life in major ways. Workers in some plants banded together and formed labor unions to negotiate their differences with the owners. In others, farsighted owners realized that the old intimate one-on-one relationship was no longer possible. A new way had to be found to manage a large operation and still give the worker a sense of sharing in the success. So these owners began to create programs to achieve that end.

With no experience to show the way, programs came slowly, but come they did. Employers discovered that higher wages and benefits, mutually agreed upon by workers and management, caused productivity and profits to increase. These early efforts resulted in such benefits as better working conditions, insurance and savings plans, profit-sharing plans, and more. By present-day standards, these pioneering steps were modest but historic. They were to set the pattern in changing the lives of industrial workers forever.

Objectives

At the end of this unit, the student will be able to:

1. Examine the changes created by rapid industrialization of American life in the post Civil War decades of the 1880's and 1890's and describe their effects on employee/employer relationships.

2. Identify efforts by some industrial leaders to work with employees in resolving or improving on conditions created by rapidly changing industrial conditions and explain why employers were interested in doing so.

Suggested Teaching Procedure

Activity I

As background for Activities I and II:

1. Duplicate the OVERVIEW and distribute it to students to read aloud or silently. Or, make a tape recording of the text and play it for the class. This will set the scene for the activities.

William Cooper Procter, Grandson of One of the Founders of Procter & Gamble

Remind students that in the early days of business there were no such things as sick leave, retirement funds, paid holidays or vacation, or many of the other benefits we take for granted today. This was because, as the Industrial Revolution began, few persons realized the potential benefits from restructuring employee/ management relations once businesses were no longer family affairs.

Use Vocabulary Sheet

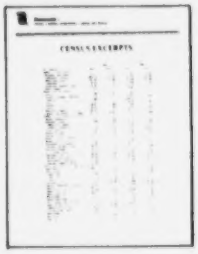
2. The VOCABULARY sheet lists words that may be unfamiliar. You may wish to duplicate this sheet for students to use with the unit or have a general class review of the words in advance. (The VOCABULARY can also be used in a wrap-up or test activity.)

Sebastian Neumann, 17 years
Joseph Schwiet-schenau, 36yrs
Herman Hopster, 24 yrs
A Quartette of Pensioners
George Schmitt Sr. 32 years

Sketches of P&G Retirees (From an Employee Publication, Moonbeams)

Activity II

Use Document I



a) Distribute DOCUMENT I (excerpts from the 1890 and 1900 U.S. Census). While agriculture remains the major occupation of the country, point out to students other areas that indicate the growth of business and the influx of workers into these areas. (TEACHER NOTE: Some growth areas were manufacturers, machinists, salesmen & saleswomen, stenographers, typewriters.)

b) Assign students to determine answers to the following questions:

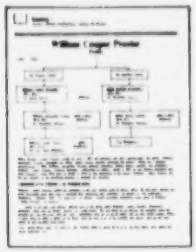
1) How much did the total number of workers in agriculture increase between 1890 and 1900? (TEACHER NOTE: 179,100/ up 21%.)

2) How much did the total number of workers, in the four occupations above, increase in the same 10-year period? (TEACHER NOTE: Manufacturers up 89,100/ +58%; machinists up 96,300/ +52%; sales people (men and women) up 346,700/+131%; stenographers and typewriters up 78,900/+236%.)

c) Remind the class (as discussed in the OVERVIEW) businesses were growing and individual owners were losing touch with their employees. In some cases this contributed to the growth of unions. In others, businessmen themselves took the lead in trying to bridge the gap.

d) Tell the class that they are going to assume the role of an owner of a business in the 1880's. In fact, they will assume the role of William Cooper Procter, the 21-year-old grandson of one of the founders, joining the business right out of Princeton.

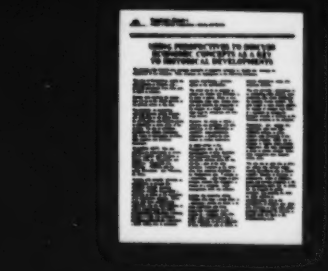
Use Reading I

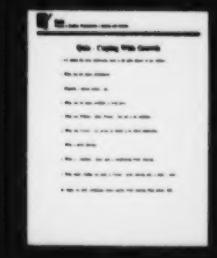


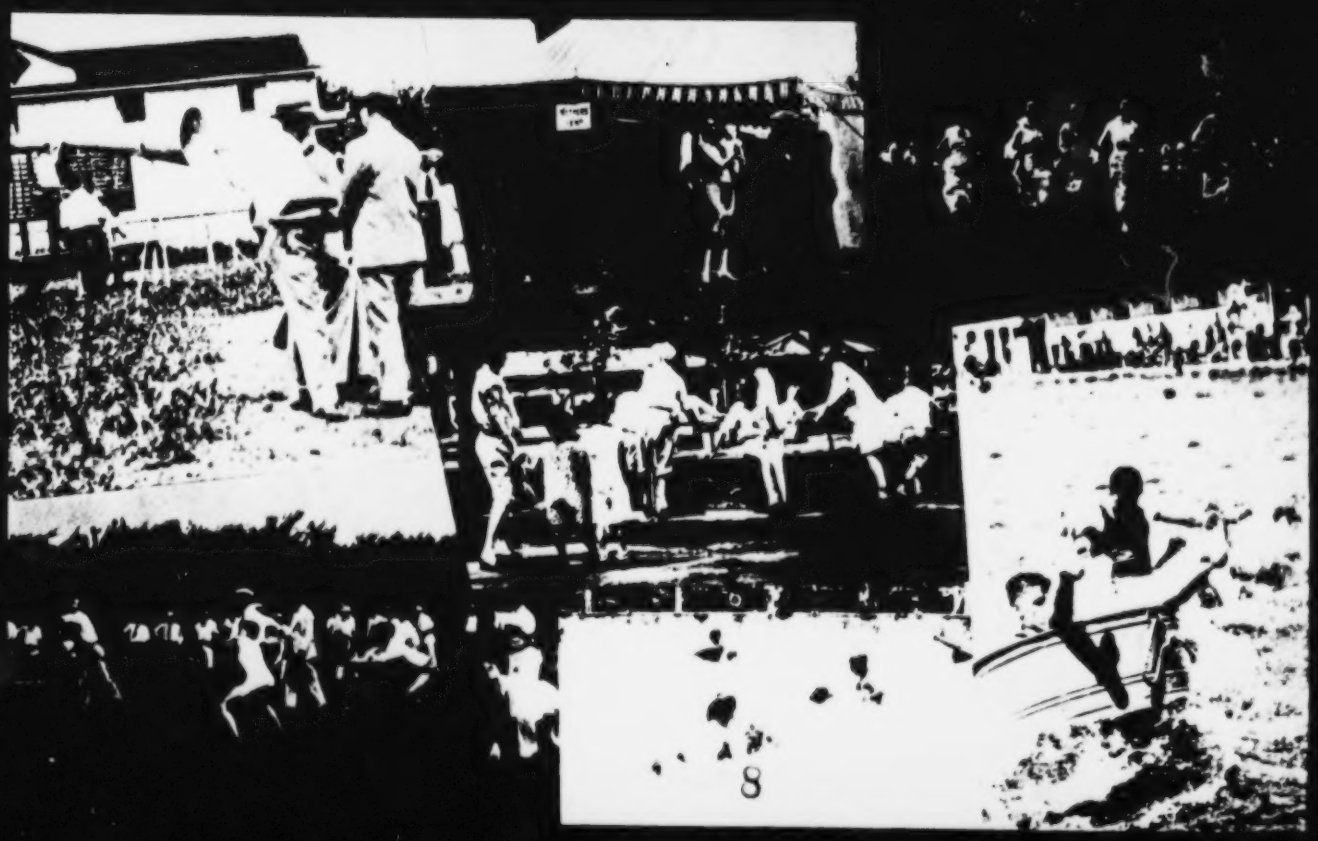
e) Divide the class into groups of 5-7 students each. Duplicate and distribute READING I (or read it aloud). This presents background information on William Cooper

ASSOCIATED CHARITIES
SUBSCRIBE TO OUR PROFIT SHARING PLAN AND YOU WILL HAVE MADE A BIG STEP TOWARD PROSPERITY IN YOUR RECLINING YEARS

From an Employee Publication, Moonbeams.







Vocabulary

Procter & Gamble Perspectives • Coping with Growth

TERM	DEFINITION
TOIL	- work long and hard at tiring labor
ANONYMITY	- lack of identification
ALIENATION	- a withdrawing of affection
COTTAGE INDUSTRY	- an industry based upon the family unit as a labor force. Workers use their own equipment at home to process goods (usually belonging to a merchant employer) and supplement their income from small agricultural holdings
INCENTIVE	- something, such as fear or hope of reward, that constitutes a reason for doing something
PROPELLED	- impelled forward or onward
ENTERPRISE	- a business organization
DELEGATING	- the act of authorizing a person/representative to act for another
PROFIT SHARING	- a system or process under which employees receive a part of the profits of an industrial or commercial enterprise
MECHANIZATION	- to equip with machinery, especially to substitute mechanical processes for human or animal labor
INNOVATOR	- one that introduces something new
GRIEVANCES	- objections to unsatisfactory working conditions
STRIKE	- a temporary stoppage of work in order to bring about agreement with demands made on an employer
PENSION	- a fixed sum paid to a person following his retirement from service
MUTUAL	- shared in common

Teacher's Note: See other side

Teacher's Note:

The words or terms listed are used in this unit. The definitions shown relate to the use of these words in the context of this unit. Use this list of definitions as a learning guide for students or, by covering the definitions and making copies for students, use it as a wrap up test.

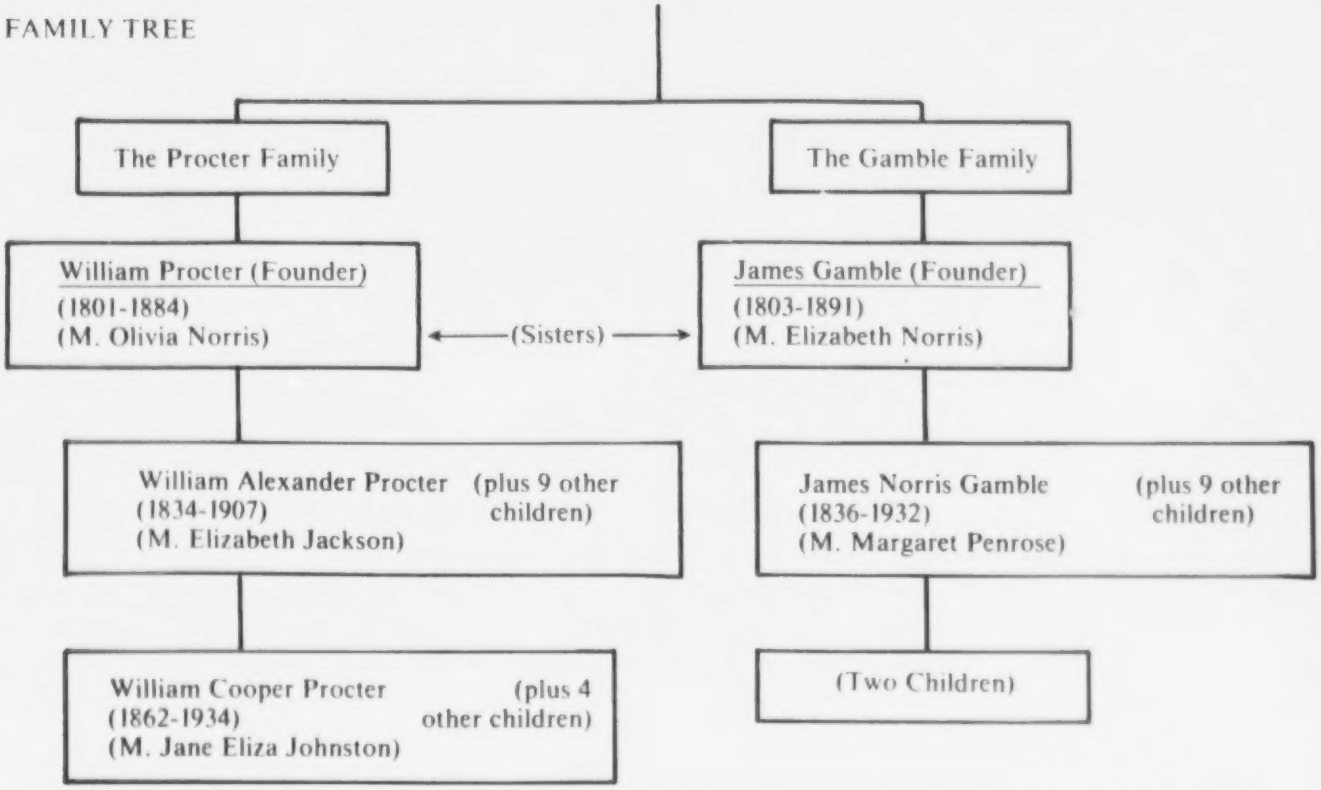
CENSUS EXCERPTS

	1890		1900	
OCCUPATION	MALE	FEMALE	MALE	FEMALE
AGRICULTURAL PURSUITS				
Dairymen, dairywomen	16,161	1,734	9,983	892
Farmowners, overseers	5,055,130	226,427	5,367,169	307,706
Hired hands (farm)	2,556,958	477,104	3,747,668	663,209
Lumbermen	65,838	28	71,920	100
Nurserymen, gardeners, florists	70,186	2,415	58,928	2,860
Wood choppers	33,665	32	35,962	113
PROFESSIONAL SERVICE				
Actors	23,200	4,583	27,903	6,857
Architects, designers, draftsmen	17,134	327	28,483	1,041
Clergymen	87,060	1,143	108,265	3,373
Dentists	17,161	337	28,858	807
Journalists	20,961	888	27,845	2,193
Lawyers	89,422	208	113,450	1,010
Physicians, surgeons	100,248	4,557	124,615	7,387
Teachers and professors in college	101,278	246,066	118,519	327,614
DOMESTIC AND PERSONAL SERVICE				
Barbers, hairdressers	82,157	2,825	125,542	5,574
Bartenders (hired)	55,660	146	88,377	440
Lodging-house keepers	11,756	32,593	11,826	59,455
Launderers, laundresses	31,831	216,631	50,683	335,282
Nurses, midwives	6,190	41,396	12,265	108,691
Restaurant keepers	16,867	2,416	28,999	4,845
Servants, waiters	238,152	1,216,639	276,958	1,283,763
TRADE AND TRANSPORTATION				
Bankers, brokers	35,458	510	72,984	293
Bookkeepers, accountants	131,602	27,772	180,727	74,153
Draymen, hackmen, teamsters	368,265	234	538,029	904
Hucksters, peddlers	56,824	2,259	73,734	2,915
Livery-stable owners	26,710	47	33,466	190
Messengers, office boys	48,446	2,909	64,959	6,663
Salesmen, saleswomen	205,943	58,451	461,909	149,230
Stenographers, typewriters	12,148	21,270	26,246	86,118
Telegraph, telephone operators	43,740	8,474	52,426	22,556
MANUFACTURING AND MECHANICAL PURSUITS				
Blacksmiths	209,521	60	226,284	198
Brass workers	16,352	913	25,870	890
Cabinet makers	35,891	24	35,552	67
Confectioners	17,577	5,674	21,980	9,214
Coopers	47,438	48	37,087	113
Dressmakers	836	292,668	2,090	344,794
Harness, saddlemakers & repairers	42,647	833	39,506	595
Machinists	186,677	151	282,574	571
Manufacturers and officials, etc.	153,468	414	239,649	3,360
Miners, quarrymen	386,872	376	562,417	989
Photographers	17,839	2,201	23,361	3,580
Steam boiler makers	21,333	6	33,038	8
Stove, furnace and grate makers	8,912	20	12,430	43
Tailors & tailoresses	123,516	64,509	160,714	68,935
Tinplate & tinware makers	56,623	902	68,730	1,775
Tool and cutlery makers	17,449	536	27,376	746
Wheelwrights	12,855	1	13,495	10
Wire workers	11,238	1,081	16,701	1,786
Other metal workers	36,127	1,385	54,282	2,320

William Cooper Procter

Profile

FAMILY TREE



When William Cooper Procter joined the firm in 1883 the business was still a partnership. His father, William Alexander Procter, managed the office; James Norris Gamble managed the factory. When the Company incorporated in 1890, William Alexander Procter became president, James Norris Gamble, vice president; William Cooper Procter, General Manager. Following his father's death in 1907 he was elected president and chief executive; from 1930 until his death in 1934 he was chairman of the board. William Cooper Procter was the last member of the founding families to manage the business.

COMMENTS FROM CO-WORKERS

William Cooper Procter joined the company at the very lowest level of factory labor. He did every menial job from shoveling rosin and soap to pouring fatty mixtures into crutchers. An article in "The American Magazine," October, 1919, "An Interview" by Merle Crowell recorded comments from some of William Cooper Procter's co-workers.

"...Some of the men with whom I talked were at the plant when William Cooper Procter, Princeton graduate, came into his father's factory as a soap boiler. 'He was dead set on learnin' the business from the ground up,' one old-timer told me. 'Say, I remember how he set up all night with his first kettle o'soap. When it came noon he used to squat on the floor, with the rest of us, in his overalls and smock, and eat the cold lunch he had brought from home.'

'For a good many years,' he went on, 'Mr. Procter used to know all of us by our first name, and I guess he's never forgotten 'em.' "

Employee Situation I

(Excerpt from *Eyes On Tomorrow*, P&G's Corporate History, by Oscar Schisgall, 1981.)

William Cooper Procter had been on the job about a year when he sought out his father one day to lodge a complaint on behalf of his fellow plant employees.

"Our people are working too hard and too long, and I tell you this from personal experience," he said. For six days a week the plant employees labored, with time off for lunch, from 6:30 a.m. until 6 p.m. To Cooper Procter that schedule seemed inhuman. He urged his father and uncle to let the workers have Saturday afternoon off without loss of pay.

In 1884 such a thing was unheard of in American industry. If the partners, William Alexander Procter and James Norris Gamble were shocked, it was because the idea smacked of out-and-out radicalism. The practices the family had pursued for close to fifty years were being challenged by a youngster just out of college.

Cooper Procter continued to argue for at least a test of his belief that plant employees would work harder than ever to justify the half day off. This gesture by P&G of interest in employees as individuals might very well lessen costs by increasing production. That silenced the older men. No businessman could afford to ignore a step that promised benefits for both the business and its employees.

After a good deal of discussion, the partners hesitantly agreed on a trial, and they included the office workers as well. Should it fail, the plan could always be rescinded.

Employee Situation II

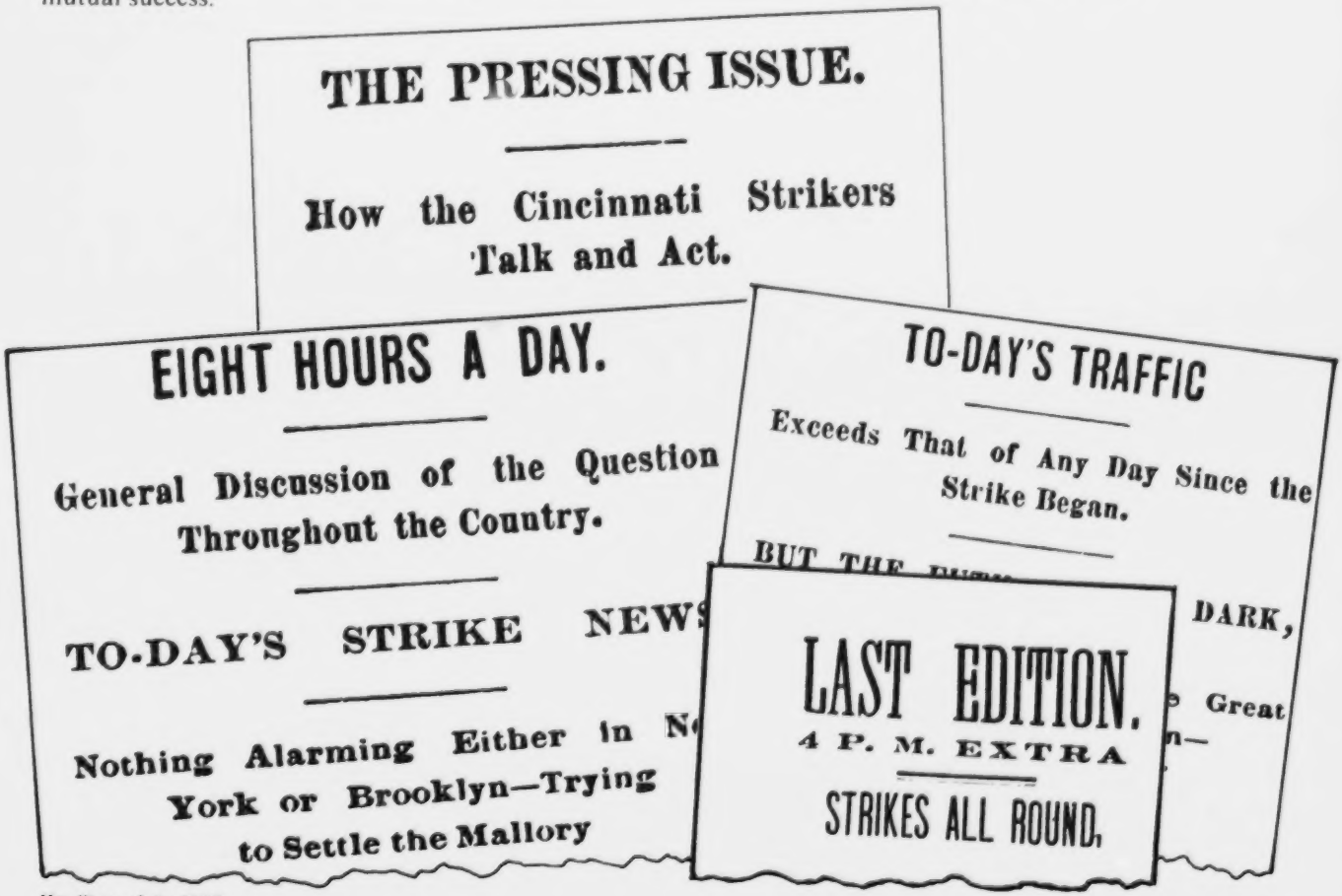
BACKGROUND: You (as William Cooper Procter) convinced your father and other members of the partnership to put the Saturday half-day holiday into effect in 1885. You found the employees initially enthusiastic, but it soon became obvious the workers thought it an inadequate gesture.

Recapping the situation later in an article in the "Independent," a weekly religious newspaper, you described the situation this way: "...It was during the year 1886 that the Knights of Labor began to assume such prominence, and employees in manufacturing establishments throughout the country became more or less restless. During that year the firm of Procter & Gamble, soap manufacturers, Cincinnati, had in their various departments no less than fourteen different strikes, having at different times from eleven to one hundred and fourteen of their employees quit work in a body, and for all sorts of trivial causes. They were continually at the expense of breaking in new people, and the question was one of constant anxiety..."

At this point you (William Cooper Procter) have no better solution for labor problems than anyone else. Whenever the employees start a walkout you feel there ought to be some way of kindling among the workers a stronger feeling of respect for and loyalty to P&G. How can they be convinced that their overall interests are truly inseparable from those of Procter & Gamble?

* * *

In this Situation, you are looking for a way to join workers and management in a common company cause. Your objective is to think of a way that will make employees feel more a part of the business and to see themselves as part of a team with management, working together for their mutual success.


THE PRESSING ISSUE.
How the Cincinnati Strikers Talk and Act.
EIGHT HOURS A DAY.
General Discussion of the Question Throughout the Country.
TO-DAY'S STRIKE NEWS
Nothing Alarming Either in New York or Brooklyn—Trying to Settle the Mallory
TO-DAY'S TRAFFIC
Exceeds That of Any Day Since the Strike Began.
DARK,
Great
LAST EDITION.
4 P. M. EXTRA
STRIKES ALL ROUND.

Headlines of the 1880's.

Teacher's Note: see other side

Teacher's Note:

William Cooper Procter's solution was Profit Sharing. The Plan was introduced in April, 1887. Writing in the "Independent," a religious newspaper, in May 2, 1895, here is how Mr. Procter explained it:

"...After considerable hesitation, it was decided to put into force a plan of profit sharing and to secure, if possible, some relief from these troubles. It was decided to allow as a portion of the expense of manufacturing, a reasonable salary to each active member of the firm, and to divide the remainder of the net profits between the firm and the employees in the proportion that the labor cost of production bore to the total cost of production. In other words, if the sales were $100,000 and the net profits, after deducting the salaries of the firm, $10,000, then the total cost of production would be $90,000. Assuming that the amount paid for wages was $20,000, then the $10,000 of profit would be divided, seven-ninths to the firm and two-ninths to the employees..."

PROCTER & GAMBLE.

Agreement to Share Profits with Their Employees

Their Volunteered and Equitable Plan Accepted with Enthusiasm.

A Document of Great Interest to Both Capital and Labor.

Copy of headlines announcing the new P&G Plan
– Cincinnati Enquirer 1887

Summary of the Profit Sharing Plan.

DIVIDENDS ARE DECLARED in April and October.

WHO SHALL SHARE.—All employees after the first three months of service, excepting
Traveling salesmen.
Male employees receiving $5.00 per week or less.
Female employees receiving $4.25 per week or less.
Employees discharged or quitting during any term of six months.

THE TOTAL AMOUNT OF DIVIDEND is found by taking,
First.—The net profits.
Second.—The total of wages paid to employees (excepting to traveling salesmen).
Third.—The entire cost of production and expense of business, including six per cent interest on capital and reasonable salaries to each active member of the firm; and
Fourth.—The part of the net profit paid as dividends to the employees corresponds to the proportion of the total of wages paid, as compared with the total of expenses.

THE AMOUNT TO BE PAID EACH EMPLOYEE is in proportion to the total amount of dividend, as the wages he has received is in proportion to the total amount of wages during the six months.

Procter & Gamble's Original Profit Sharing Plan

"Whereas, Messrs. Procter & Gamble, our respected employers, in addition to the half holiday on Saturday, without reduction of wages, have now unsolicited given us a share of the profits derived from our labor as workmen, be it

"Resolved by us as a body—

"First—We extend our thanks to our employers, who by their generous action have made their interest and ours the same.

"Second—As it is plainly to our advantage, we will individually use every endeavor by industry and watchfulness to increase their interest in which we share

"Third—We will not allow any outside influence to come between our employers and ourselves, but will work with them for the good of all.

"Fourth—That we present a copy of these resolutions to each member of the firm of Procter & Gamble to show our appreciation of their generosity.

"John Burckenol,
"John A. Pentland,
"John A. Larkin,
Committee"

Statement of Resolutions adopted by P&G Employees following the announcement of Profit Sharing.

Teacher's Note: See other side

Teacher's Note:

In response to the announcement of Profit Sharing a large meeting of the employees of the firm was held the evening of April 12, 1887, at the factory, No. 742 Central Avenue.

The resolutions shown were then presented and adopted by the unanimous vote of about two hundred employees present.

To encourage savings the Profit Sharing Plan was changed in 1903. The new idea, announced on June 16, 1903, bound profit sharing to the purchase of P&G common stock. In Cooper's words, it would "place a premium on thrift by *requiring* our people to save a certain fraction of their wages if they are to receive any extra money from the firm."

To participate in the plan, an employee had to buy P&G stock at current value in an amount equivalent to his annual wage. Payment could be spread over several years with a minimum annual installment of 4% of earnings.

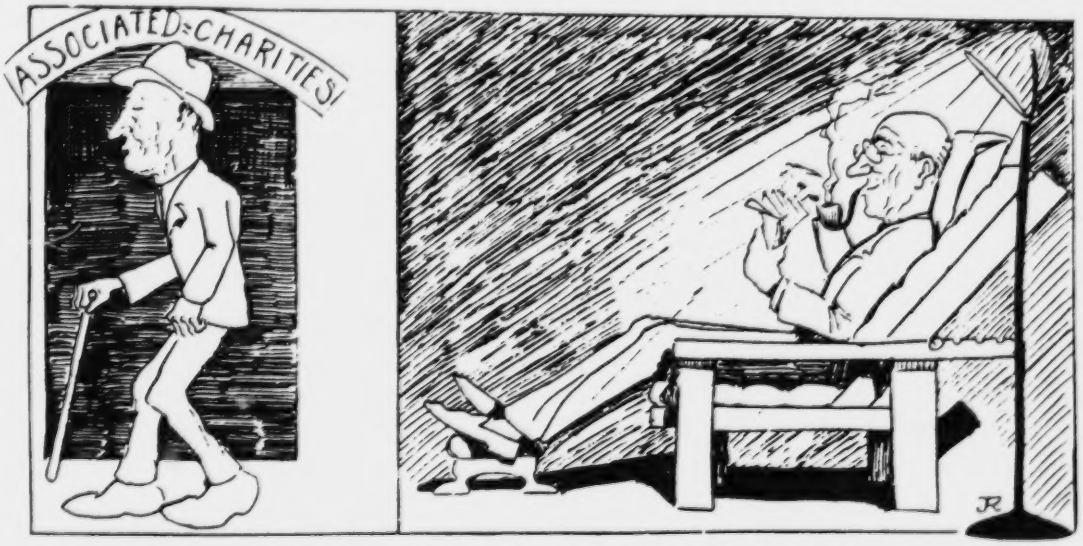
"To every dollar you save," P&G told its employees,

"we will add four dollars until as much money as you make in a year has been accumulated. This money is then yours. Our only stipulation is that it must be invested in the common stock of the company. We expect our stock to increase greatly in value. That increase too will be yours. However, we will protect you against depreciation. If you should ever decide to leave the company, and your stock should then be below the market value at which you obtained it, we promise to return to you in such case that full market price."

(From Eyes on Tomorrow)

WHAT ARE YOU DOING TOWARD PROTECTING YOUR OLD AGE?

WHICH ONE OF THESE OLD MEN WILL YOU BE?



SUBSCRIBE TO OUR PROFIT SHARING PLAN AND YOU WILL HAVE MADE A BIG STEP TOWARD PROSPERITY IN YOUR RECLINING YEARS.

From an employee publication, Moonbeams.

Teacher's Note: See other side

Teacher's Note:

The Profit Sharing Plan was revised to base profit sharing on stock ownership. At the time, employees had to subscribe to stock equal to one year's wages.

Profit sharing continues to this day and is celebrated at an event called Dividend Day.

Washington Gladden
(Photo courtesy Ohio Historical Society)

From an address by Washington Gladden, D.D., at P&G's 17th Semi-Annual Dividend Meeting, February 3, 1896.

"...The relations which subsist between employer and employees in Ivorydale, between the directing minds and the helping hands, are the kind of relations that I wish to see everywhere between these classes. It is such a good thing that I wish there were a great deal more of it...

...I have always stood up for organized labor — for the right of workmen to combine for their own protection. But, after all, combinations of laborers on the one side and of capitalists on the other exist for purposes of war. I believe that war is better than slavery, but surely peace is better than war. The end of war is honorable peace. In Ivorydale, the combinations are not of men against masters, but of masters with men. You have got beyond the state of war, and have come into the conditions of honorable peace; and that is why I rejoice in Ivorydale and in its work..."

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From Ida Tarbell's book, *New Ideals In Business*, 1917

"...In 1915 I was permitted to go over the plant at Ivorydale and talk to many men and women about it (Profit Sharing). At that time 735 out of 1,200 employees at Ivorydale outside of the officers held stock. I failed to find one who had taken advantage of the opportunity who was not impressed, some of them to the point of enthusiasm, others to one of bewilderment. I remember a Russian Jew who years ago was employed as a day laborer and is now earning $100 a month who had taken all the stock the plan allowed. He had bought a house and put four children through public schools. 'It's the greatest thing I ever heard of' he told me 'only I can't get enough.' He was crying for ten shares more and claimed he could pay for them.

I was introduced to a machinist who had been thirty years with the firm. 'Yes, mar'm, a great thing. My wife will never have to take in washing. I'm worth $12,000 because of that scheme...'

...One of the reports which interested me most was that of a prominent union workman to whom I asked an introduction, because of his sturdy radicalism. 'What do you think of it?' I asked. 'Think of it. It's the greatest thing ever; you can't believe it; it's too good to be true. Look here, let me show you what I am already getting every year.' It was a nice little sum, $725 in dividends and profits, outside of wages. He figured it out in my note book with satisfaction. It was evident that he often went over the figures trying to convice himself of their reality. 'You can't believe it,' he said. 'I never heard of such a thing before.'

One thing that worries the firm is that the girls do not take to the profit sharing as quickly as the men. There are many satisfactory cases, however. One stenographer, who began in 1897 on $45 a month, and who now is getting $100 a month, has accumulated $25,000.

At the beginning of July, 1916, there were about 2,000 persons in the various plants of Procter & Gamble holding almost 3,700 shares of its common stock worth at the present market something over three million dollars..."

Ida Tarbell

Teacher's Note: See other side

Teacher's Note:

WASHINGTON GLADDEN - "a prophet of social justice" at the turn of the century who championed the rights of labor; because of his actions in the field of industrial ethics he has been called "Mr. Social Gospel;" he was also a noted preacher, lecturer, author and editor.

IDA TARBELL - an American author, led in the muckracking movement of the early 1900's which attacked dishonesty in politics and business. Her *History of the Standard Oil Company* (1904) made people aware of the power and practices of some great corporations, and strengthened the movement for outlawing monopolies in the U.S.

PROFIT SHARING PLANS*

1794 - Albert Gallatin pioneered profit sharing in his glass works in the State of Pennsylvania
- Horace Greeley had a profit sharing plan in the New York Tribune

1869 - Brewster & Co., carriage builders, start a plan (abandoned in 1871)

1882 - Pillsbury Flour Mills, Minneapolis, Minn.

1884 - Baltimore & Ohio RR inaugurates a "pension-relief savings" plan which operated as a model in the railroad field for 54 years

1886 - N. O. Nelson Co., St. Louis, Mo.
- Procter & Gamble Co., Cincinnati, Ohio

1901 - Simplex Wire & Cable Co., Cambridge, Mass.

1902 - Hibbard, Spencer, Bartlett & Co., Chicago, Ill.

1912 - R.J. Reynolds Tobacco Co., Winston-Salem, N.C.
- Eastman Kodak Co., Rochester, N.Y.

1913 - Edison Electric Illuminating Co., Boston, Mass.

1914 - California & Hawaiian Sugar Co., Crockett, Calif.

1915 - Cleveland Twist Drill Co., Cleveland, Ohio

1916 - Sears, Roebuck & Co., Chicago, Ill.

1918 - Joslyn Manufacturing & Supply Co., Chicago, Ill.

1919 - Endicott-Johnson Shoe Co., Endicott, N.Y.

1920 - General Electric, Schenectady, N.Y.

1936 - Westinghouse Electric & Mfg. Co., Pittsburgh, Pa.

1937 - Fairbanks Morse & Co., Chicago, Ill.

*From "Hearings before a Subcommittee of the Committee on Finance, United States Senate, Seventy-Fifth Congress, Third Session, Pursuant to S. Res. 215 Providing for an Investigation of Existing Profit-Sharing Systems Between Employers and Employees in the United States, November 21 to December 14, 1938"

USING PERSPECTIVES TO DISCUSS ECONOMIC CONCEPTS AS A KEY TO HISTORICAL DEVELOPMENTS

The Coping with Growth unit contains examples of economic concepts as "played out" through the experience of one company. These concepts are highlighted in the following discussion.

This unit of Perspectives recalls the rapid growth of industry and a growing movement from farm jobs to those in industry.

Review with students the factors that led up to the robust growth of the private sector at this time.

For example, an expanding national railroad system brought raw materials to the plants from far off locations and finished goods to consumers in more parts of the country. The age of invention provided the needed technology; and waves of immigrants provided both workers and potential customers.

TEACHER NOTE: This unit provides an opportunity to review and tie together such chapters in history texts as: "Inventions and Inventors," "Railroads and Factories," "Workers and the Labor Movement," and "Peopling the Cities."

"Coping with Growth" provides an opportunity to analyze this economic concept: *growing consumer markets encourage a company to invest in the expansion of its production capacity.* The growth of the railroads opened new and larger markets and created an incentive for business to develop products to serve those markets. This, in turn, led to newer, larger and more sophisticated machinery and the specialization of worker assignments to lower the cost of each unit produced (increased productivity) and justify a lower selling cost to consumers, thereby broadening a product's appeal in the marketplace.

The result can be an increase in output per worker and decreases in the price of goods, which in turn stimulates more sales, creates more jobs and benefits the prosperity of the country as a whole through taxes paid by companies and their wage earners.

However, the extent to which a company can specialize and take advantage of the efficiencies of expensive, mass-production machinery is limited by such factors as worker motivation.

As noted earlier in this Perspectives unit, as the specialization of labor increased and companies became larger, individual workers often felt less and less a part of the total operation. Contrary to the rather close knit situation described in the Perspectives unit, Cottages to Corporations, a gap began to grow between workers and managers or owners of a company. Labor-management strife was common.

Explore this economic reality: Workers who have a direct share in a company's profits are likely to be more productive and more personally committed to the success of a company when they realize their performance has a direct influence on the profitability of their company and its ability to provide competitive wages and employee benefits.

This unit provides a description of an interesting profit sharing/stock ownership plan which recognized the growing worker concern. The plan helped to more clearly identify the interests of workers with those of a company by linking the financial rewards of workers to the financial progress of the company.

Document IV suggests this experiment must have been successful because so many workers took advantage of the profit sharing option. It was in addition to regular wages already competitive with other companies in order to attract workers. Many other companies have adopted similar plans.

This unit can be used also to show two reasons why workers began leaving agricultural jobs in record numbers. Initially, because of increases in productivity, prices of consumer goods and services produced in the manufacturing sector fell. As prices fell, the desire for goods increased, thus creating the need for more workers in manufacturing. Subsequently, as the productivity of workers rose, there were increases in wage rates which provided incentives for workers to migrate from the farm to the manufacturing areas.

Quiz - Coping With Growth

1. For whom did most Americans work in the early history of our country?

2. What was the major occupation?

3. Describe a typical worker's day.

4. What was a major problem as firms grew?

5. What was William Cooper Procter's first job in the company?

6. What was Procter's first action on behalf of his fellow-employees?

7. What is profit sharing?

8. What is a company's major goal in establishing profit sharing?

9. What major change was made in Procter's profit sharing plan to make it work?

10. Name five other companies which started profit sharing plans before 1920.

ANSWERS

1. Themselves - most were self-employed.
2. Farming
3. Most workers worked a 12-hour day, 5½ - 6 days a week.
4. Individual workers lost touch with "the boss," the owner of the business.
5. He joined the company as a factory worker.
6. He obtained a Saturday half-day holiday for employees.
7. A plan under which employees receive a part of the profits of an industrial or commercial enterprise.
8. To make employees feel a part of the goals of the business and to recognize that, as employees, their interests are inseparable from the business.
9. The plan was revised to tie it to the purchase of the company's common stock.
10. Any of the first 16 on Document V.